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Chapter 9 Counsel for Tulare Local Healthcare District, dba
Tulare Regional Medical Center

IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE
DISTRICT, dba TULARE
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897
Address: 869 N. Cherry Street
Tulare, CA 93274

CASE NO. 17-13797

DC No.: WW-60

Chapter 9

Date: February 7, 2019
Time: 10:30 a.m.
Place: 510 19th Street
Bakersfield, CA
Courtroom 13
Judge: Honorable René Lastreto II

**DECLARATION OF RICHARD GIANELLO IN SUPPORT OF MOTION FOR
AUTHORITY TO BORROW AND GIVE SECURITY**

I, Richard Gianello, hereby declare as follows:

1. My name is Richard Gianello.

2. I am the Senior Project Manager and Consultant/Manager of Wipfli, the
District's interim management team. I have over 30 years experience as a crisis manager
of troubled healthcare entities.

3. I am the consultant who has had overall responsibility for negotiating the
terms of obtaining the financing described in the Motion. I am personally familiar with
the proposed borrowing and the terms and conditions of the Loan. The District's board
has been heavily involved in arranging the loan from the City of Tulare.

1 4. The Debtor filed a voluntary petition for Chapter 9 bankruptcy on
2 September 30, 2017 (the "Petition Date").

3 5. I make this Declaration in support of the Motion for Authority to Borrow and
4 Give Security ("Motion"). Except as otherwise indicated, all statements in this
5 Declaration are based on my personal knowledge and my review of relevant business
6 documents, and information prepared by my staff at my request and direction.

7 6. This declaration is in support of the Motion by which the Debtor seeks
8 authority to borrow \$9,000,000 from Lapis Advisors, LP.

9 7. The real property collateral for the proposed loan is commonly known as:
10

11 Lot 24, 26, 35 [vacant lots]
12 935-9435 Gem Street, Tulare, CA
13 591 E. Merritt Ave, Tulare, CA
14 979 N. Gem Street, Tulare, CA
15 890, 906 & 922 Cherry Street, Tulare, CA
16 874 Cherry Street, Tulare, CA
17 793, 795 & 799 North Cherry Street, Tulare, CA
18 1050 Cherry Street, Tulare, CA
19 398 S. Church Street, Tulare, CA
20 1425 E. Prosperity Avenue ("Evolutions"), Tulare, CA

21 8. The Evolutions property has been appraised twice in recent months. On
22 July 5, 2017 CBRE appraised the Evolutions property for \$13,840,000. On November
23 27, 2017 the Evolutions property was appraised by Hopper Company for \$10,910,000.

24 9. The remaining parcels of real property described above were appraised by
25 Simon & Hower, Inc. on May 18, 2018 for \$3,890,000.

26 10. The excess property tax revenues proposed as collateral are \$1,900,000±
27 per year.

28 11. The expected rents proposed as collateral will range from \$442,000 to
\$490,000 per year.

 12. Before entering into the proposed loan with the City of Tulare my staff and
I made an exhaustive search for lenders, including utilization of an experienced and well
regarded loan broker. My staff and I made contact with no few than twelve prospective

lenders. The Debtor thereafter contracted with Business Capital Solutions ("BizCap") as a loan broker. BizCap then used its network who reached out to more than 160 prospective lenders and procured the Lender. See the declaration of Reed Epton.

13. The loan as proposed is the best proposal received by the District and it is my opinion that the District cannot obtain the funds needed on better terms than are proposed by the City of Tulare. Other loan proposals had interest rates at least double that proposed by the Lender. The loan terms proposed by the City of Tulare are superior to any other proposed loan.

14. The Term Sheet with the City of Tulare is attached as Exhibit A.¹ The key terms of the Agreement are as follows, however, reference should be made to Exhibit A and to the Definitive Loan Documents that will be posted prior to the hearing on the Motion for all of the terms:

Key Terms

<u>Face Amount</u>	Face amount of \$9,000,000
<u>Draws</u>	Minimum draw of \$500,000 with 10 business days advance notice unless excused.
<u>Initial Tranche</u>	\$6,000,000 initial draw at closing.
<u>Approvals</u>	Board approval and USBC approval.
<u>Subsequent Tranche</u>	Draws after initial draw are conditioned upon no defaults; updated certified cash flows; compliance with approved budget.
<u>Rate</u>	6% per annum.
<u>Maturity</u>	5 years from closing.

¹ See the Declaration of Richard Gianello to which is appended the entire Term Sheet describing the terms and conditions of the loan. The actual Definitive Loan Documents are being drafted. At least three (3) days prior to the initial hearing on this Motion the Definitive Loan Documents will be posted to the District's website www.tularelocalhealthcaredistrict.org and a notice of availability will be given to those prescribed by the Order Shortening Time on the Motion.

<u>Amortization</u>	Interest only for first 36 months. Amortization months 37-60 in equal quarterly payments.
<u>Collateral</u>	First Deed of Trust on all District real property except hospital real property or equipment assets; assignments of rent; certain tax revenues in excess of payments on GO and Revenue Bonds.

15. As a part of putting this financing agreement package together the District negotiated consents to this borrowing from Healthcare Conglomerate Associates, LLC. Negotiations are underway with Wilmington Trust as trustee and paying agent.

16. I also declare that the board of directors of the Debtor voted to approve the subject financing by a 5-0 vote on January 23, 2019. The City is to vote on this loan on February 5, 2019.

17. In my capacity as Senior Project Manager I know that as of October 14, 2018 the day to day operations of the District's hospital were assumed by Adventist Health under the supervision of the board and it is responsible for all revenue and *operating* expenses incurred in connection with the hospital. However, the District has continuing obligations for the operations and functions of the District (as contrasted with the hospital). The funds to be borrowed will be used to fund those District obligations and to resolve certain disputes between the District and third parties.

18. Absent funding of the subject loan the District will run out of money on February 14, 2019 and be unable to meet its ongoing District obligations.

19. The proposed order authorizing the loan is attached as Exhibit B.

I am over the age of eighteen and if I were called as a witness in connection with this proceeding I would and could testify as is set out in this Declaration.

I SO DECLARE and represent under penalty of perjury this 24th day of January, 2019 at OAKLAND, California.


Richard Gianello